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April 13, 2016

Bristol Tennessee Essential Services CEO Fails to Disclose Conflict of Interest with Private Company

A special investigation by the Tennessee Comptroller's Office raises questions about several financial transactions between Bristol Tennessee Essential Services (BTES) and a private vendor, Carina Technology, Inc. The investigation centered around decisions made by BTES chief executive officer Dr. Michael Browder, who co-owned the patent for a water heater load management switch that Carina was developing and producing.

Investigators determined that Dr. Browder failed to disclose his conflict of interest to BTES board members when he directed at least \$6.8 million of public funds, including more than \$2.5 million of BTES ratepayer funds, toward the development and production of the switch.

Over a period of five years, Dr. Browder directed a series of risky financial transactions between BTES and Carina, even though he was aware Carina was experiencing significant financial difficulties. These transactions facilitated Carina's financial survival and continued development of the switch in which Dr. Browder had a personal patent ownership interest.



Bristol Tennessee Essential Services

The financial transactions in question included:

- Dr. Browder committed BTES ratepayer funds totaling \$6,491,000 for future purchases from Carina in order to help relieve Carina's financial difficulties.
- Without statutory authority, Dr. Browder made an unauthorized loan of BTES ratepayer funds totaling \$2.2 million to Carina. He then made a series of additional unauthorized loans to Carina totaling over \$287,000, which he did not reveal to the BTES board or the BTES auditors.
- Dr. Browder failed to enforce discounted prices and other financial mandates set forth in the loan agreements with Carina, costing BTES ratepayers over \$1 million.
- Dr. Browder authorized Carina to use switch parts inventory, paid for with BTES ratepayer funds of almost \$500,000, to fill an order for an unrelated utility. BTES has not recovered and has not requested reimbursement for the cost of the parts from Carina.

Dr. Browder owed a duty of loyalty and care to BTES, which required him to act in good faith and in the best interests of BTES. The transactions outlined in the investigative report do not appear to be in the best interests of BTES, or in the best interests of BTES ratepayers.

These matters have been discussed with the local district attorney general and U.S. Attorney's Office.

To view the special investigation online, go to: <http://www.comptroller.tn.gov/ia/>

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